



Subject: CLOSING GRANTS IN FINANCIAL RECORDS

10-54-00	Background
10	Requirements for Closing Non-Block Grant Financial Records
20	Requirements for Closing Block Grant Financial Records
30	Non-Block Grant Accounting Entries
40	Block Grant Accounting Entries
50	Deobligating Funds

10-54-00 BACKGROUND

The formal closing of grant records is accomplished as a coordinated effort of the recipient, the HHS Operating Component's administering grant and finance officials, and the Division of Federal Assistance Financing (DFAF) for grants paid through the Payment Management System (PMS). The grant rule is that grant closeout should occur shortly after the grant expires, and be initiated when the grant official in the Operating Component receives and approves the final expenditure report from the grant recipient. During the grant closeout process, the grant official must assist in reconciling any differences between recipient records and those of the Operating Component finance office and the PMS on the amounts disallowed and not recovered. Once this reconciliation is accomplished, the Operating Component accountant initiates closing entries for its records and those in the PMS.

Additional procedures are required when persons and organizations fail to follow generally accepted formal closing procedures. For these instances, informal grant closings must take place to close the financial records.

Informal closing procedures are intended to promote efficiency in the finance office operations and systems and do not affect, in any manner, a recipient's right to funds if filled within six years after the recipient's last drawdown. Further, a future final expenditure report, audit exception, or valid recipient claim for funds may necessitate that an informally closed grant must be re-opened in accounting records for additional payments or recoupments. Because of this, agencies which use the project period funding technique which rolls forward unused balances must be aware that the informal closing procedure may impact that process.

The paying office must notify the recipient at the time the record is closed that the awarding component must be contacted to resolve any subsequent financial transactions.

10-54-10 REQUIREMENTS FOR CLOSING NON-BLOCK GRANT FINANCIAL RECORDS

The formal closing of these grants is accomplished as a result of the recipient's submission to and approval by the grant official of a final SF-269, Financial Status Report. Most grants are awarded, paid, and closed without difficulty or audit exception.

Some, however, remain in an inactive status long after funds have been advanced and periodic expenditures/cash disbursements have been reported because a final expenditure report has not been sent to or approved by grant/program officials.

Financial records will be informally closed within three years after the end of the performance period when a SF-269 has not been received (e.g. if the performance period ends in September 1985, the informal closing will occur between October 1, 1988 and December 31, 1988. Since this process is not tied to a fiscal year ending, these closings can occur on a quarterly basis.

Because cash disbursements/expenditure reporting is expected of the recipient and the grants are paid at various locations, closing actions are more extensive than in the block grant process. The recipient may not have fully drawn authorized funds; may not have reported cash disbursements/expenditures; or may have partially or fully reported, but failed to file the final expenditure report with the grant official to indicate completion of award performance.

These informal closing procedures apply only to those records that show the recipient has reported cash/disbursements /expenditures equal to the award or to the amount advanced, if the amount advanced is greater than the award authorization, or cash disbursements/expenditures have not been reported, or are less than the amount amounts advanced the account cannot be closed until all efforts are exhausted to collect the debt (an advance in excess of award authorization or over reported cash disbursements/expenditures must be collected or written off according to HHS debt collection procedures before informal closing can take place). Likewise, the closing should not take place if there is knowledge of a pending audit disallowance or other financial problem.

Operating Components will initiate the closeout process for awards paid by their finance office by:

- Advising the grant official of the financial records selected for closing and obtain his/her opinion on any record that should remain open pending resolution of approved expenditures.
- Notifying the recipient of the intention to close out the grant based upon the data available and in lieu of their final report of expenditures and
- Preparing a journal voucher to support closing transactions.

PMS will initiate the closeout process for the awards paid on behalf of the Operating Component by:

- Preparing a list of the financial records selected to be closed and forwarding to the Cognizant finance office.

At this point the Operating Component will complete the closeout process for the PMS paid awards by:

- Reviewing the list and coordinating the recommended closings with the grant official
- Notifying the recipient of the intention to close out the grant based upon the data available and in lieu of their final report of expenditures
- Preparing a journal voucher to support the closing transaction to PMS.

Medicaid and AFDC and any other program awards may be excluded from this informal closing process because of the nature of the program and the award mechanism if approved by the Deputy Assistant Secretary, Finance.

10-54-20 REQUIREMENTS FOR CLOSING BLOCK GRANT FINANCIAL RECORDS

The general rules above do not apply for block grants. Unlike other grant programs, recipients of block grants are not required to file financial disbursement reports, program expenditure reports, or otherwise notify HHS that a grant has been completed. Procedures are further simplified because all block grants are paid during the PMS.

Since recipient reporting is not required, the OPDIVs directly charge program expense and record expended appropriations at the time the advance is reported by the PMS.

Block grant statutes govern the period in which statutes may obligate and expend funds. These statutes do not establish a time limit for drawing funds for legitimate expenditures. To ensure timely drawdowns during the statutory period, and to set a base for closing the records, the Deputy Assistant Secretary, finance has published HHS policy in a memorandum dated April 6, 1988 entitled "Policy on State Obligations and Expenditures of Block Grant Funds"

Block grants may also be closed informally. As with other grants, the informal closing procedures do not affect a recipient's right to claim reimbursement for grant expenditures. There is no limit on the time when a recipient may claim reimbursement for block grant expenditures made during the statutory period.

PMS, as a paying office, will initiate the block grant closeout process whenever the recipient drawdowns equal the award amount by:

- First, notifying the recipient that the total has been drawn and the grant will be removed from its records on the next reporting cycle; and
- Second, providing the OPDIV finance office with the necessary information to prepare an OPDIV-generated closing transaction.

PMS will also initiate the grant close-out process when its records show that undrawn authorizations exist for the grant in the third quarter (i.e., April 1) of the second fiscal year following the close of the statutory obligation or expenditure period. This will be done by:

- Notifying the recipient of PMS intention to close out the grant by the end of the fiscal year; and
- Asking the recipient to advise PMS staff of any plans for further drawdowns.
- Based upon the recipient's response, advising the cognizant Operating Component of the recipient's; and
- Providing the Operating Component with the necessary information to prepare a closing transaction of its record and that of the PMS.

10-54-30 NON-BLOCK GRANT ACCOUNTING ENTRIES

Based upon information in its records and as provided by FAFB for awards paid through the PMS, the Operating Component will generate and record the following transactions:

Operating Component Paid Awards

For fully drawn awards -	TC 094 for a zero amount (award advance and expenditures equal).
For awards not fully drawn -	TC 050 for the amount of award authority that exceeds the amount drawn and recorded as approved expenditures and TC 094 for a zero amount.

PMS Paid Awards

For fully drawn awards -	TC 059 for a zero amount (award, advance and expenditures equal)
For awards not fully drawn -	TC 059 ® for the amount of award authority that exceeds the amount drawn and recorded as approved expenditures.

Following recordation in PMS, PMS will generate a zero TC 092/191 for the applicable component to indicate the record is closed.

The 094, 050, and 059 transactions are to be supported by a journal voucher describing the actions taken.

10-54-40 BLOCK GRANT ACCOUNTING ENTRIES

Based upon information provided by DFAF, the Operating Component will generate and record the following transactions:

For fully drawn awards -	TC 059 for a zero amount.
For awards not fully drawn -	TC 059 (R) for the amount of award authority that exceeds the amount drawn and recorded as approved expenditures.

Both transactions are to be supported by a journal voucher describing the actions taken.

10-54-50 DEOBLIGATED FUNDS

When the informal closing includes the deobligation of funds by TCs 059 (R) and 050 (R) For undrawn amounts, these funds will be lapsed and withdrawn on the TFS - 2108 if the appropriation is an annual account. The program office need not issue a negative award since the recipient's legal rights are unaffected; a journal voucher will suffice to support the accounting entry. If funds must be paid to the recipient in the future, the Operating Component will restore the funds, reobligate the remaining award amounts, and authorize the final payment.